31st Annual Enrollment Planners Conference

How Price and Affordability Affect the Enrollment Decisions of Prospective Students

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Session Overview

- What do prospective students believe about the cost of college?
- How do their opinions affect their application decisions?
- Faced with actual enrollment decisions, how are students’ choices affected by variations in price and aid
- Examples from research with individual institutions
- Discussion
Data sources for findings and examples

- **StudentPOLL** survey of college-bound high school seniors
  - Fielded online in January 2016 and May 2016 with sample drawn from ACT test takers
  - Goal was to determine how thinking about price and aid changes from application to enrollment periods

- Simulated Decision Modeling (SDM) research with inquirers and admitted applicants for individual institutions
  - Predicts how application and enrollment decisions are affected by specific changes to price and aid strategy at an institution
Market-sensitive pricing

Underlying principles

- Pricing is a long-term strategic question
  - Market effects are a critical input to pricing strategy

- Optimal price positioning is highly idiosyncratic. Market sensitivities to price and aid are a function of:
  - Socioeconomic character and motivations of each institution’s prospective student markets
  - Nature of its competition
  - Strength of its value proposition vs. competition
Market-sensitive pricing

Underlying principles

- Price and aid sensitivities are different
  - The differences can in some cases present significant opportunities
Financial aid discounting

Objective optimization at a given price and market position
Measures of market position

Objective optimization at a rising price
Measures of market position

Objective optimization at improving competitive position
Measures of market position

Objective optimization at improving competitive position
Key studentPOLL findings

- College costs are an incredibly salient issue. Nine-in-ten students...
  - Are looking at college costs
  - Report that college costs have increased
  - State that college costs are influential on their choice of where to apply (January) or attend (May)

- Nearly all students have some sense of their family’s ability to afford college

- There is a near universal intention to apply for financial aid
  - Significantly fewer middle income students expect to receive need-based aid as they progress through the funnel
Middle income students who expect to use need-based financial aid to help pay for college

![Bar chart showing the percentage of middle income students expecting to use need-based financial aid.

- Jan: 67%
- May: 52% (marked with *)

* Represents a significant increase compared to January.\]
Students today have access to and take advantage of a range of information sources concerning financial aid and paying for college

- **Most commonly selected:**
  - FAFSA (Free Application for Federal Student Aid) website
  - Colleges’ websites about financial aid, scholarships, etc.
  - High school guidance counselors
  - Friends and family

- **Least commonly selected:**
  - News articles (online or in print)
  - Professional college counselor or consultants
  - Government sponsored tools (i.e. College Navigator or College Scorecard)
Sources of information on financial aid and paying for college

- FAFSA: 90% (Jan 71%, May 62%)
- Colleges' websites: 58% (Jan 55%, May 54%)
- High school guidance counselor: 54% (Jan 54%, May 53%)
- Friends and family: 47% (Jan 43%, May 47%)
- Colleges' brochures: 37% (Jan 37%, May 37%)
- Financial aid offices: 51% (Jan 37%, May 29%)
- Net tuition calculators: 32% (Jan 37%, May 26%)
- Websites or blogs: 29% (Jan 29%, May 29%)
- Financial aid workshops: 15% (Jan 14%, May 11%)
- News articles: 12% (Jan 11%, May 11%)
- Professional college counselor: 10% (Jan 11%, May 11%)
- Government tools (ex: College Navigator or College Scorecard): 8% (Jan 11%, May 11%)

Jan
May
Key studentPOLL findings

- Cognizant of price increases, students consider a number of options
  - About two-thirds plan to:
    - Attend a public college or university in my home state
    - Work part-time or more while attending school next year

- Very few plan on:
  - Not going to college and working instead
  - Attending an associate’s degree or certificate program instead of a bachelor’s degree granting school
Options students have considered due to rising college costs

- Attend a public college or university in my home state: 63% (Jan), 58% (May)
- Work part-time or more while attending school next year: 61% (Jan), 67% (May)
- Attend an institution with a reputation for generous financial aid: 44% (Jan), 31% (May)
- Live at home and commute to college to save money: 24% (Jan), 26% (May)
- Attend a community college for the first two years and then transfer to a bachelor's degree granting school: 21% (Jan), 24% (May)
- Not go to college and work instead: 4% (Jan), 6% (May)
- Attend an associate's degree or certificate program instead of a bachelor's degree granting school: 4% (Jan), 7% (May)

Note: Base = Those who indicate an increase in college prices and who indicate costs are at least somewhat influential
College costs of significant concern for middle income students

- Middle income students are:
  - Much more likely to consider living at home and commuting
  - Also more likely to consider an Associate’s degree or certificate program instead of a traditional four-year program
Options middle income students have considered due to rising college costs

- Work part-time or more while attending school next year
  - Jan: 71%
  - May: 67%

- Attend a public college or university in my home state
  - Jan: 61%
  - May: 67%

- Attend an institution with a reputation for generous financial aid
  - Jan: 32%
  - May: 45%

- Live at home and commute to college to save money
  - Jan: 26%
  - May: 37%

- Attend a community college for the first two years and then transfer to a bachelor's degree granting school
  - Jan: 22%
  - May: 28%

- Attend an associate's degree or certificate program instead of a bachelor's degree granting school
  - Jan: 3%
  - May: 8%

- Not go to college and work instead
  - Jan: 7%
  - May: 3%

Note: Base = Those who indicate an increase in college prices and who indicate costs are at least somewhat influential.
Key studentPOLL findings

- Price isn’t the sole factor when choosing a college or university
  - Many students are considering schools they would otherwise rule out as too expensive for a variety of reasons
Reasons students would consider a school they would otherwise rule out as too expensive

- The school has really strong academics in your specific field of interest: 82% (Jan), 78% (May)
- The school has an excellent record of helping graduates get into graduate or professional schools or get a good job: 73% (Jan), 71% (May)
- The school is a place where you will fit in and feel comfortable: 72% (Jan), 74% (May)
Key studentPOLL findings

- Parents are influencing the schools of consideration, but the choice is largely left to students
Parental influence on students’ application and matriculation decisions

- Discussed the cost of college you can afford: 64% (Jan) vs. 65% (May)
- Insisted you apply to/attend schools that are more affordable: 48% (Jan) vs. 47% (May)
- Insisted you work while in school: 43% (Jan) vs. 50% (May)
- Ruled out applying/attending to a school because of cost: 27% (Jan) vs. 31% (May)
- Insisted you pay for most or all of your education: 23% (Jan) vs. 27% (May)
College costs of increasing concern for low income students

- Influence of cost of attendance increases substantially as well
  - About half report cost of attendance as “very influential” on applications
  - Nearly two-thirds report cost of attendance as “very influential” on enrollment decision

- Students are much more likely to consider net costs later in the process
  - 50% more low income students are taking financial aid into account in May compared to January
Low income students who say college costs are ‘very influential’ on decision of where to apply (Jan) or attend (May)
Low income students who look at college costs after subtracting what they expect to receive in financial aid

Jan: 41%
May: 61%
College costs of increasing concern for low income students

- Compared to others, low income students are expecting institutional grants and self-help to cover more of the costs
  - On average, low income respondents believe that institutional grants (both need- and merit-based) will cover nearly two-thirds of their total cost of attendance

- Due to rising costs, low income students are more likely to consider self-support options such as work to help pay
Institutional aid expectations to help pay for college

<table>
<thead>
<tr>
<th></th>
<th>&lt;$60K</th>
<th>$60K&lt;$120K</th>
<th>$120K+</th>
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<tbody>
<tr>
<td>Jan</td>
<td>37%</td>
<td>18%</td>
<td>8%</td>
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<tr>
<td>May</td>
<td>37%</td>
<td>14%</td>
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<tr>
<td>Jan</td>
<td>37%</td>
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<td>28%</td>
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<tr>
<td>May</td>
<td>37%</td>
<td>26%</td>
<td>32%</td>
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- **Need-based financial aid**
- **Merit financial aid**
Low income students who plan to work part-time or more while attending school next year

Note: Base = Those who indicate an increase in college prices and who indicate costs are at least somewhat influential
Examples of findings from SDM research with individual institutions
Effect of price/aid on number of matriculations

COST CHANGE AND GRANT MATCH

$51,900, current minus 10%; no match

$51,900, current minus 10%; half-matched

$51,900, current minus 10%; fully-matched

$57,700, current cost

$63,500, current plus 10%; no match

$63,500, current plus 10%; half-matched

$63,500, current plus 10%; fully-matched

-50% -40% -30% -20% -10% 0% 10% 20% 30% 40% 50%
Effect of price/aid on number of applications

- **COST OF ATTENDANCE**
  - $49,200 (Current): 3% *
  - $52,000 (Current + $2,800): -3% *
  - $54,800 (Current + $5,600): -10% *

- **NEED-BASED AID**
  - Extensive: 23% *
  - Some: -49% *

- **MERIT GRANTS**
  - Extensive: 33% *
  - Little or none: -52% *
Effect of price/aid on number of matriculations

- $80,600; actual cost and aid: 19%
- $63,400, up to $2,800; no match: -5%
- $63,400, up to $2,800; half matched: 7%
- $63,400, up to $2,800; fully matched: 15%
- $56,200, up to $5,600; no match: * -29%
- $56,200, up to $5,600; half matched: 3%
- $56,200, up to $5,600; fully matched: 21%
Effect of price/aid on number of matriculations

COST CHANGE AND GRANT MATCH POLICY

$30,000; actual cost and aid

$32,400, up $2,800; no match

$33,400, up $2,800; half matched

$33,400, up $2,800; fully matched

$35,200, up $5,200; no match

$35,200, up $5,200; half matched

$35,200, up $5,200; fully matched

- 19% *
- 5%
- 7%
- 15% *
- * -23%
- 3%
- 8%
Effect of price/aid on number of applications

- TOTAL ATTENDANCE COST (In-state / Out-of-state)
  - $17,800 / $22,900 (Current cost)
  - $18,900 / $31,800
  - $19,900 / $34,300
  - $21,000 / $37,900

- NEED-BASED GRANTS
  - Extensive
  - Some

- MERIT GRANTS
  - Extensive
  - Some
Effect of price/aid on number of matriculations

<table>
<thead>
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<th>In-state</th>
<th>Out-of-state</th>
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<tbody>
<tr>
<td>$10,200 / $30,200, same as now</td>
<td>2%</td>
<td>7%</td>
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<tr>
<td>$20,400 / $33,100, no match</td>
<td>-12%</td>
<td>2%</td>
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<td>-7%</td>
<td>6%</td>
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<td>$20,400 / $33,100, fully matched</td>
<td>-1%</td>
<td>9%</td>
</tr>
<tr>
<td>$21,600 / $36,900, no match</td>
<td>-24%</td>
<td>-4%</td>
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Effect of price/aid on number of applications

TOTAL ATTENDANCE COST
(In-state / Out-of-state)

$17,800 / $28,800
(Current cost)

$18,900 / $31,500

$19,900 / $34,300

$21,000 / $37,000

NEED-BASED GRANTS

Extensive

Some

MERIT GRANTS

Extensive

Some

-30% -20% -10% 0% 10% 20% 30%
Effect of price/aid on number of matriculations

COST CHANGE AND GRANT MATCH POLICY
(In-state / Out-of-state)

$16,200 / $39,200, same as now

$20,400 / $33,100, no match
-12% 2% 7%

$20,400 / $33,100, half matched
-7% 2% 6%

$20,400 / $33,100, fully matched
-1% 2% 8%

$21,600 / $36,800, no match
-24% 4% 12%

$21,600 / $36,800, half matched
-14% 4% 12%

$21,600 / $36,800, fully matched
0% 4% 12%

$22,800 / $38,800, no match
-33% 3% 14%

$22,800 / $38,800, half matched
-19% 3% 14%

$22,800 / $38,800, fully matched
-9% 3% 14%
Market-sensitive pricing

Key Takeaways

- The key for each institution is to set price and aid levels to optimize net revenue (and ultimately the bottom line), along with class size and character
  - Not necessarily maximizing price or minimizing discount

- In the long run, an institution’s ability to control price and aid depends on its ability to act strategically to ensure a strong, intentional competitive positioning
Discussion